

STATE SENATOR • MARTHA G. SCOTT

Scott Press Release

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GOP TURNS BACK MEANINGFUL PAYDAY LENDING REFORM

Defeat of Scott Amendment Means Higher Fees for Consumers

LANSING- Paving the way for continued price-gouging of unwary or vulnerable consumers, Senate Republicans today turned back a Democratic substitute amendment which would have substantially reduced what payday lending firms can charge customers. State Senator Martha G. Scott (D-Highland Park), the author of the amendment, stated that her proposal would have reduced the fees that payday lending companies can charge consumers from 16 percent to only 10 percent.

“Regrettably, payday lending costumers will be hit with up to 60 percent more in fees due to the defeat of my amendment,” Sen. Scott said. “The payday lending industry targets poor people who have no where else to turn for loans and then charges fees that are far in excess of what other financial institutions are allowed to charge. I feel the Senate had an obligation to protect our most vulnerable consumers from that sort of exploitation.”

The following is a comparison of the Scott substitute amendment and the Republican plan:

- The Scott substitute caps the maximum fee a payday lending firm can charge at 10 percent plus a \$5 verification fee. The original Republican plan placed the maximum at 18 percent. It was later amended to 16 percent.

- The Scott substitute would provide for civil action for a person injured by a lender's violation of the Act. The Republican plan does not.
- The Scott substitute would provide the State Attorney General with the same powers and authority over the payday lending industry as outlined under the Consumer Protection Act. The Republican plan does not.
- The Scott substitute would require the creation of a centralized state database to track outstanding loan transactions and monitor information about the industry. The Republican plan limits consumers to one loan at a time but provides no mechanism for the state to monitor or enforce the limit.

“In my opinion, the Republican plan fails to put adequate mechanisms in place to enforce the new regulations,” Sen. Scott said. “My amendment would have given the Attorney General greater regulatory powers over the payday lending industry and would have given consumers the right to civil action. I think this Senate could have done much more to champion the rights of consumers.”

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